

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes in Net Assets	H 20
Statement of Cash Flows	I 21
Notes to Financial Statements	22-30
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	31
Notes to Required Supplementary Information - Budgetary Reporting	32
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 34
Schedule of Changes in Student Activity Accounts	3 35
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 36
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	37-38
Schedule of Findings	39-40

Logan-Magnolia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Dennis Alvis	President	2006
Dan Cohrs	Vice President	2005
Kevin Mann	Board Member	2006
Linda Hennessy	Board Member	2007
Mike Branstetter	Board Member	2007
Board of Education (After September 2005 Election)		
Dennis Alvis	President	2006
Dan Cohrs	Vice President	2008
Kevin Mann	Board Member	2006
Linda Hennessy	Board Member	2007
Mike Branstetter	Board Member	2007
School Officials		
James Hammrich	Superintendent	2006
Karen Jacobsen	District Secretary	2006
Mundt, Franck and Schumacher	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Logan-Magnolia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District, Logan Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Logan-Magnolia Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2006 on our consideration of the Logan-Magnolia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Logan-Magnolia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

July 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Logan-Magnolia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,153,501 in fiscal 2005 to \$5,252,859 in fiscal 2006, while General Fund expenditures increased from \$4,818,482 in fiscal 2005 to \$5,225,325 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$501,160 in fiscal 2005 to a balance of \$529,619 in fiscal 2006.
- The increase in General Fund revenues was attributable to an increase in state in fiscal 2006. The increase in expenditures can be attributed to the regular instruction and transportation services functional areas.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund to increase from \$16,344 in fiscal year 2005 to \$71,597 in fiscal year 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Logan-Magnolia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Logan-Magnolia Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Logan-Magnolia Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements. Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Logan-Magnolia Community School District Annual Financial Report

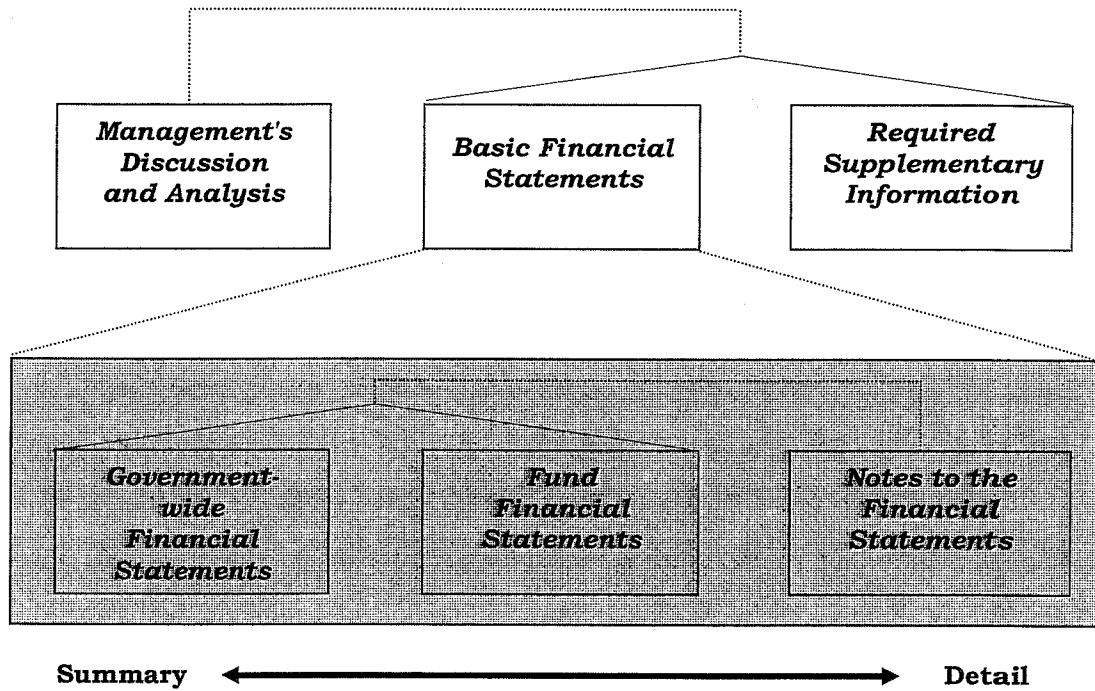


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Latch Key.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 3,894,034	4,219,046	28,224	18,749	3,922,258	4,237,795	-7.45%
Capital assets	6,940,240	6,850,576	6,958	12,303	6,947,198	6,862,879	1.23%
Total assets	10,834,274	11,069,622	35,182	31,052	10,869,456	11,100,674	-2.08%
Long-term obligations	3,492,052	3,738,423	0	0	3,492,052	3,738,423	-6.59%
Other liabilities	2,816,361	3,051,957	10,492	6,978	2,826,853	3,058,935	-7.59%
Total liabilities	6,308,413	6,790,380	10,492	6,978	6,318,905	6,797,358	-7.04%
Net assets:							
Invested in capital assets, net of related debt	3,744,147	3,469,381	6,958	12,303	3,751,105	3,481,684	7.74%
Restricted	231,859	236,339	0	0	231,859	236,339	-1.90%
Unrestricted	549,855	573,522	17,732	11,771	567,587	585,293	-3.03%
Total net assets	\$ 4,525,861	4,279,242	24,690	24,074	4,550,551	4,303,316	5.75%

The District's combined net assets increased by \$247,235, or 5.75% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$4,480, or 1.09% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$17,706, or 3.03%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 639,474	400,444	194,597	196,565	834,071	597,009	39.71%
Operating grants and contributions and restricted interest	575,246	832,444	133,106	129,015	708,352	961,459	-26.33%
Capital grants and contributions and restricted interest	0	338,275	0	0	0	338,275	-100.00%
General revenues:							
Property tax	1,826,375	1,808,286	0	0	1,826,375	1,808,286	1.00%
Local option sales and service tax	192,629	322,380	0	0	192,629	322,380	-40.25%
Unrestricted state grants	2,727,078	2,513,065	0	0	2,727,078	2,513,065	8.52%
Other	107,057	27,740	435	244	107,492	27,984	284.12%
Total revenues	6,067,859	6,242,634	328,138	325,824	6,395,997	6,568,458	-2.63%
Program expenses:							
Governmental activities:							
Instructional	3,612,489	3,377,408	0	0	3,612,489	3,377,408	6.96%
Support services	1,662,074	1,468,441	0	0	1,662,074	1,468,441	13.19%
Non-instructional programs	0	0	325,633	336,971	325,633	336,971	-3.36%
Other expenses	546,677	470,568	0	0	546,677	470,568	16.17%
Total expenses	5,821,240	5,316,417	325,633	336,971	6,146,873	5,653,388	8.73%
Net income (loss) before other financing uses	246,619	926,217	2,505	(11,147)	249,124	915,070	-72.78%
Loss on disposal of assets	0	0	(1,889)	(2,714)	(1,889)	(2,714)	-100.00%
Change in net assets	246,619	926,217	616	(13,861)	247,235	912,356	-72.90%
Net assets beginning of year	4,279,242	3,353,025	24,074	37,935	4,303,316	3,390,960	26.91%
Net assets end of year	\$ 4,525,861	4,279,242	24,690	24,074	4,550,551	4,303,316	5.75%

In fiscal 2006, property tax and unrestricted state grants account for 71.2% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$6.40 million of which \$6.07 million was for governmental activities and less than \$0.33 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.63% decrease in revenues and an 8.73% increase in expenses. Unrestricted state grants increased \$214,013 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$6,067,859 and expenses were \$5,821,240.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,612,489	2,610,656
Support services	1,662,074	1,640,434
Other expenses	546,677	355,430
Totals	<u>\$ 5,821,240</u>	<u>4,606,520</u>

- The cost financed by users of the District's programs was \$639,474.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$575,246.
- The net cost of governmental activities was financed with \$1,826,375 in local tax, \$192,629 in local option sales and service tax, \$2,727,078 in unrestricted state grants, and \$71,597 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$328,138 and expenses were \$325,633. The District's business-type activities include the School Nutrition Fund and the Latch Key Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Logan-Magnolia Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$979,644 lower than last year's ending fund balances of \$1,071,619. However, the primary reason for the decrease was the decreased revenues in the Capital Projects Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in state grants caused the increase in revenues. The increase in revenues was greater than the increase in General Fund expenditures ensuring the financial position of the District increase.
- The Management and Activity Fund combined balance decreased from \$123,867 in 2005, to \$114,680 in 2006.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$86,608 to \$30,729 due to total expenditures being more than total revenues into the fund.

- The Capital Projects fund balance decreased from \$359,984 in fiscal 2005 to \$292,715 in fiscal 2006 primarily because of the transfer from Capital Projects to the Debt Service Fund to pay long term debt for the District.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$12,027 at June 30, 2005 to \$11,749 at June 30, 2006, representing a decrease of approximately 2.3%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$31,802 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$6.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.2% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$242,495.

The original cost of the District's capital assets was \$9,291,431. Governmental funds account for \$9,133,547 with the remainder of \$157,884 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$313,263 at June 30, 2006. This increase resulted from the acquisition of three new buses during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 575,000	575,000	0	0	575,000	575,000	0.0%
Buildings	6,044,692	6,146,224	0	0	6,044,692	6,146,224	-1.7%
Improvements other than buildings	14,243	0	0	0	14,243	0	100.0%
Machinery and equipment	306,305	129,352	6,958	12,303	313,263	141,655	121.1%
Total	\$ 6,940,240	6,850,576	6,958	12,303	6,947,198	6,862,879	1.2%

Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding of \$3,492,052 in general obligation bonds, and early retirement. This represents a decrease of approximately 6.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$3,490,000 at June 30, 2006.

The District also had total outstanding early retirement payable of \$2,052 at June 30, 2006.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 3,490,000	3,730,000	-6.4%
Early retirement	2,052	8,423	-75.6%
Total	<u>\$ 3,492,052</u>	<u>3,738,423</u>	<u>-6.6%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- District enrollment appears to stay the same with only minor changes. This is a definite asset to the District.
- With all the new facilities and a bus fleet that is going to be updated within the next few years on a rotation basis, the District should be able to operate on a daily basis without a large amount of capital outlay.
- The District is striving to maintain a positive balance between revenues and expenditures to ensure the health of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Jacobsen, Business Manager/Board Secretary, Logan-Magnolia Community School District, 1200 North 2nd Avenue, Logan, Iowa, 51546.

BASIC FINANCIAL STATEMENTS

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP(Note 4)	\$ 555,227	0	555,227
Other	1,245,852	22,199	1,268,051
Receivables:			
Property tax:			
Delinquent	32,038	0	32,038
Succeeding year	1,752,021	0	1,752,021
Income surtax	108,738	0	108,738
Interfund	457	0	457
Accounts	885	3,248	4,133
Accrued interest			
ISCAP(Note 4)	173	0	173
Due from other governments	154,138	0	154,138
Prepaid insurance	44,505	0	44,505
Inventories	0	2,777	2,777
Capital assets, net of accumulated depreciation(Note 5)	6,940,240	6,958	6,947,198
TOTAL ASSETS	10,834,274	35,182	10,869,456
LIABILITIES			
Accounts payable	24,868	231	25,099
Interest payable	10,709	0	10,709
Interfund payable	0	457	457
Salaries and benefits payable	468,395	7,183	475,578
ISCAP warrants payable(Note 4)	556,000	0	556,000
ISCAP accrued interest payable(Note 4)	137	0	137
ISCAP premiums payable	4,231	0	4,231
Deferred revenue:			
Succeeding year property tax	1,752,021	0	1,752,021
Other	0	2,621	2,621
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds	240,000	0	240,000
Early retirement	2,052	0	2,052
Portion due after one year:			
General obligation bonds	3,250,000	0	3,250,000
TOTAL LIABILITIES	6,308,413	10,492	6,318,905
NET ASSETS			
Investment in capital assets, net of related debt	3,744,147	6,958	3,751,105
Restricted for:			
Talented and gifted	43,997	0	43,997
Prepaid insurance	44,505	0	44,505
Physical plant & equipment levy	30,729	0	30,729
Management levy	28,545	0	28,545
Other special revenue purposes	84,083	0	84,083
Unrestricted	549,855	17,732	567,587
TOTAL NET ASSETS	\$ 4,525,861	24,690	4,550,551

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,447,658	580,517	380,106	(1,487,035)	0
Special instruction	739,131	37,980	3,230	(697,921)	0
Other instruction	425,700	0	0	(425,700)	0
	<u>3,612,489</u>	<u>618,497</u>	<u>383,336</u>	<u>(2,610,656)</u>	<u>0</u>
Support services:					
Student services	147,020	0	0	(147,020)	0
Instructional staff services	150,929	0	0	(150,929)	0
Administration services	567,910	0	0	(567,910)	0
Operation and maintenance of plant services	472,747	0	0	(472,747)	0
Transportation services	323,468	20,977	663	(301,828)	0
	<u>1,662,074</u>	<u>20,977</u>	<u>663</u>	<u>(1,640,434)</u>	<u>0</u>
Other expenditures:					
Facilities acquisitions	70,792	0	0	(70,792)	0
Long-term debt interest	133,157	0	0	(133,157)	0
AEA flowthrough	191,247	0	191,247	0	0
Depreciation(unallocated)*	151,481	0	0	(151,481)	0
	<u>546,677</u>	<u>0</u>	<u>191,247</u>	<u>(355,430)</u>	<u>0</u>
Total governmental activities	<u>5,821,240</u>	<u>639,474</u>	<u>575,246</u>	<u>(4,606,520)</u>	<u>0</u>
Business-Type activities:					
Non-instructional programs:					
Nutrition services	291,302	159,659	133,106	0	1,463
Latch Key	34,331	34,938	0	0	607
Total business-type activities	<u>325,633</u>	<u>194,597</u>	<u>133,106</u>	<u>0</u>	<u>2,070</u>
Total	<u>\$ 6,146,873</u>	<u>834,071</u>	<u>708,352</u>	<u>(4,606,520)</u>	<u>2,070</u>
General Revenues:					
Property tax levied for:					
General purposes				\$ 1,520,315	0
Debt service				272,876	0
Capital outlay				33,184	0
Local option sales and services				192,629	0
Unrestricted state grants				2,727,078	0
Unrestricted investment earnings				71,597	435
Sale of equipment				925	0
Other				34,535	0
Total general revenues				<u>4,853,139</u>	<u>435</u>
Changes in net assets before other financing uses				246,619	2,505
Other financing sources uses					
Loss on disposal of assets				0	(1,889)
Changes in net assets				246,619	616
Net assets beginning of year				4,279,242	24,074
Net assets end of year				<u>\$ 4,525,861</u>	<u>24,690</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments				
ISCAP (Note 4)	\$ 555,227	0	0	555,227
Other	827,168	267,087	151,597	1,245,852
Receivables:				
Property tax				
Delinquent	25,175	0	6,863	32,038
Succeeding year	1,470,581	0	281,440	1,752,021
Income surtax	108,738	0	0	108,738
Interfund	457	0	0	457
Accounts	885	0	0	885
Accrued interest				
ISCAP (Note 4)	173	0	0	173
Due from other governments	120,396	33,742	0	154,138
Prepaid insurance	44,505	0	0	44,505
TOTAL ASSETS	\$ 3,153,305	300,829	439,900	3,894,034
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,604	8,114	1,150	24,868
Salaries and benefits payable	468,395	0	0	468,395
ISCAP warrants payable (Note 4)	556,000	0	0	556,000
ISCAP accrued interest payable (Note 4)	137	0	0	137
ISCAP premiums payable	4,231	0	0	4,231
Deferred revenue:				
Succeeding year property tax	1,470,581	0	281,440	1,752,021
Income surtax	108,738	0	0	108,738
Total liabilities	2,623,686	8,114	282,590	2,914,390
Fund balances:				
Reserved for:				
Talented and gifted	43,997	0	0	43,997
Other	44,505	0	0	44,505
Unreserved:				
Designated for special purposes	10,626	0	0	10,626
Undesignated	430,491	292,715	157,310	880,516
Total fund balances	529,619	292,715	157,310	979,644
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,153,305	300,829	439,900	3,894,034

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$	979,644
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*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		6,940,240
---	--	-----------

Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(10,709)
--	--	----------

Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(3,492,052)
--	--	-------------

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		108,738
--	--	---------

Net assets of governmental activites (page 13)	\$	4,525,861
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SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,458,340	0	365,946	1,824,286
LOSST	0	192,629	0	192,629
Tuition	331,392	0	0	331,392
Other	160,803	12,156	241,255	414,214
State sources	3,137,954	0	0	3,137,954
Federal sources	164,370	0	0	164,370
Total revenues	5,252,859	204,785	607,201	6,064,845
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,199,161	0	258,836	2,457,997
Special instruction	733,192	0	5,849	739,041
Other instruction	473,612	0	0	473,612
	3,405,965	0	264,685	3,670,650
Support services:				
Student services	147,020	0	0	147,020
Instructional staff services	148,876	0	0	148,876
Administration services	567,910	0	0	567,910
Operation and maintenance of plant services	451,098	0	37,909	489,007
Transportation services	313,209	55,000	66,214	434,423
	1,628,113	55,000	104,123	1,787,236
Other expenditures:				
Facilities acquisitions	0	107,054	27,931	134,985
Long-term debt:				
Principal	0	0	240,000	240,000
Interest and fiscal charges	0	0	133,627	133,627
AEA flowthrough	191,247	0	0	191,247
	191,247	107,054	401,558	699,859
Total expenditures	5,225,325	162,054	770,366	6,157,745
Excess(deficiency) of revenues over(under) expenditures	27,534	42,731	(163,165)	(92,900)
Other financing sources(uses):				
Transfers in	0	0	110,000	110,000
Transfers out	0	(110,000)	0	(110,000)
Sale of equipment	925	0	0	925
Total other financing sources(uses)	925	(110,000)	110,000	925
Net change in fund balances	28,459	(67,269)	(53,165)	(91,975)
Fund balance beginning of year	501,160	359,984	210,475	1,071,619
Fund balance end of year	\$ 529,619	292,715	157,310	979,644

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ (91,975)

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures exceeded depreciation expense in the current year, as follows:

Capital expenditures	\$ 327,432	
Depreciation expense	<u>(237,768)</u>	89,664

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Repaid	240,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

470

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	6,371
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

2,089

Changes in net assets of governmental activities (page 14)

\$ 246,619

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	School Nutrition	Latch Key	Total
ASSETS			
Cash and cash equivalents	\$ 10,175	12,024	22,199
Accounts receivable	0	3,248	3,248
Inventories	2,777	0	2,777
Capital assets, net of accumulated depreciation	6,958	0	6,958
TOTAL ASSETS	19,910	15,272	35,182
LIABILITIES			
Interfund payable	457	0	457
Accounts payable	0	231	231
Salaries and benefits payable	5,083	2,100	7,183
Deferred revenues	2,621	0	2,621
TOTAL LIABILITES	8,161	2,331	10,492
NET ASSETS			
Invested in capital assets, net of related debt	6,958	0	6,958
Unrestricted	4,791	12,941	17,732
TOTAL NET ASSETS	\$ 11,749	12,941	24,690

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition	Latch Key	Total
OPERATING REVENUE:			
Local sources:			
Other local sources:			
Sale of lunches and breakfasts:			
Students	\$ 143,281	0	143,281
Adults	10,891	0	10,891
A la carte	5,487	0	5,487
Miscellaneous	0	34,938	34,938
TOTAL OPERATING REVENUES	159,659	34,938	194,597
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	129,434	27,123	156,557
Benefits	23,283	3,379	26,662
Services	7,336	0	7,336
Supplies	126,522	3,829	130,351
Depreciation	4,727	0	4,727
TOTAL OPERATING EXPENSES	291,302	34,331	325,633
OPERATING INCOME (LOSS)	(131,643)	607	(131,036)
NON-OPERATING REVENUES:			
Interest	148	287	435
State sources	4,298	0	4,298
Federal sources	128,808	0	128,808
TOTAL NON-OPERATING REVENUES	133,254	287	133,541
Change in net assets before other financing uses	1,611	894	2,505
OTHER FINANCING USES:			
Loss on asset disposal	(1,889)	0	(1,889)
Change in net assets	(278)	894	616
Net assets at beginning of year	12,027	12,047	24,074
Net assets end of year	\$ 11,749	12,941	24,690

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition	Latch Key	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 162,744	0	162,744
Cash received from miscellaneous operating activities	0	33,454	33,454
Cash payments to employees for services	(152,525)	(30,489)	(183,014)
Cash payments to suppliers for goods or services	(107,083)	(3,598)	(110,681)
Net cash used in operating activities	(96,864)	(633)	(97,497)
Cash flows from non-capital financing activities:			
State grants received	4,298	0	4,298
Federal grants received	104,624	0	104,624
Net cash provided by non-capital financing activities	108,922	0	108,922
Cash flows from investing activities:			
Interest on investments	148	287	435
Cash flows from capital financing activities:			
Purchase of assets	(1,271)	0	(1,271)
Net increase(decrease) in cash and cash equivalents	10,935	(346)	10,589
Cash and cash equivalents at beginning of year	(760)	12,370	11,610
Cash and cash equivalents at end of year	\$ 10,175	12,024	22,199
Reconciliation of operating gain(loss) to net cash used in operating activities:			
Operating income(loss)	\$ (131,643)	607	(131,036)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	24,184	0	24,184
Depreciation	4,727	0	4,727
Decrease in inventories	2,134	0	2,134
(Increase)Decrease in accounts receivables	464	(1,484)	(1,020)
Increase in accounts payable	457	231	688
Increase in salaries and benefits payable	192	13	205
Increase in deferred revenues	2,621	0	2,621
Net cash used in operating activities	\$ (96,864)	(633)	(97,497)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 10,175	12,024	22,199

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$24,184.

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The Logan-Magnolia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Logan and Magnolia, Iowa, and the predominate agricultural territory in Harrison County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Logan-Magnolia Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Logan-Magnolia Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Designated For Prepaids - In the governmental fund financial statements, the District prepaid property insurance for the 2007 fiscal year in the amount of \$44,505.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, budgeted amounts were not exceeded.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 1,315,050

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 110,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/2006	6/28/2007	\$ 555,227	173	556,000	137

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ 0	75,000	75,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	575,000	0	0	575,000
Total capital assets not being depreciated	575,000	0	0	575,000
Capital assets being depreciated:				
Buildings	7,487,392	49,200	0	7,536,592
Improvements other than buildings	0	14,993	0	14,993
Machinery and equipment	743,723	263,239	0	1,006,962
Total capital assets being depreciated	8,231,115	327,432	0	8,558,547
Less accumulated depreciation for:				
Buildings	1,341,168	150,732	0	1,491,900
Improvements other than buildings	0	750	0	750
Machinery and equipment	614,371	86,286	0	700,657
Total accumulated depreciation	1,955,539	237,768	0	2,193,307
Total capital assets being depreciated, net	6,275,576	89,664	0	6,365,240
Governmental activities capital assets, net	\$ 6,850,576	89,664	0	6,940,240

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 161,146	1,271	4,533	157,884
Less accumulated depreciation	148,843	4,727	2,644	150,926
Business-type activities capital assets, net	\$ 12,303	(3,456)	1,889	6,958

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,265
Special	1,890
Other	14,560
Support services:	
Instructional staff	10,462
Operation and maintenance of plant services	4,065
Transportation	54,045
	86,287
Unallocated depreciation	151,481
Total governmental activities depreciation expense	\$ 237,768
Business-type activities:	
Food services	\$ 4,727

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,730,000	0	240,000	3,490,000	240,000
Early retirement	8,423	0	6,371	2,052	2,052
Total	\$ 3,738,423	0	246,371	3,492,052	242,052

General Obligation Bonds Payable

Details of the District's June 30, 2006 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue November 1, 2002		
		Principal	Interest	Total
2007	2.50-2.80 %	\$ 240,000	71,750	311,750
2008	2.80-3.00	235,000	65,280	300,280
2009	3.00-3.05	250,000	58,270	308,270
2010	3.05-3.25	255,000	50,599	305,599
2011	3.25-3.35	270,000	42,274	312,274
2012	3.35-3.45	280,000	33,297	313,297
2013	3.45-3.55	285,000	23,616	308,616
2014	3.55-3.70	295,000	13,392	308,392
2015	3.70	145,000	2,683	147,683
Total		\$ 2,255,000	361,161	2,616,161

Year Ending June 30,	Interest Rate	Bond issue August 1, 2003		
		Principal	Interest	Total
2007	- %	\$ -	55,258	55,258
2008	-	-	55,257	55,257
2009	-	-	55,258	55,258
2010	-	-	55,257	55,257
2011	-	-	55,258	55,258
2012	-	-	55,257	55,257
2013	-	-	55,258	55,258
2014	-	-	55,257	55,257
2015	-	-	55,258	55,258
2016	4.00	130,000	55,257	185,257
2017	4.10	140,000	50,058	190,058
2018	4.25	145,000	44,318	189,318
2019	4.40	150,000	38,155	188,155
2020	4.50	155,000	31,555	186,555
2021	4.60	165,000	24,580	189,580
2022	4.70	170,000	16,990	186,990
2023	5.00	180,000	9,000	189,000
Total		\$ 1,235,000	767,230	2,002,230
Total		\$ 3,490,000	1,128,391	4,618,391

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement benefits paid during the year ended June 30, 2006, totaled \$6,371.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$183,798, \$172,860, and \$167,231, respectively, equal to the required contributions for each year.

(8) Risk Management

Logan-Magnolia Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$191,247 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 2,762,521	195,032	2,957,553	2,881,947	2,881,947	75,606
State sources	3,137,954	4,298	3,142,252	3,109,234	3,109,234	33,018
Federal sources	164,370	128,808	293,178	370,000	370,000	(76,822)
Total revenues	6,064,845	328,138	6,392,983	6,361,181	6,361,181	31,802
Expenditures:						
Instruction	3,670,650	0	3,670,650	4,392,745	4,392,745	722,095
Support services	1,787,236	0	1,787,236	2,026,344	2,026,344	239,108
Non-instructional programs	0	325,633	325,633	343,808	343,808	18,175
Other expenditures	699,859	0	699,859	712,768	712,768	12,909
Total expenditures	6,157,745	325,633	6,483,378	7,475,665	7,475,665	992,287
Excess(deficiency) of revenues over(under) expenditures	(92,900)	2,505	(90,395)	(1,114,484)	(1,114,484)	1,024,089
Other financing sources(uses), net	925	(1,889)	(964)	0	0	(964)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(91,975)	616	(91,359)	(1,114,484)	(1,114,484)	1,023,125
Balance beginning of year	1,071,619	24,074	1,095,693	1,234,058	1,234,058	(138,365)
Balance end of year	\$ 979,644	24,690	1,004,334	119,574	119,574	884,760

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Special Revenue- Total	Debt Service	
ASSETS						
Cash and pooled investments	\$ 29,474	30,107	85,233	144,814	6,783	151,597
Receivables:						
Property tax:						
Current year delinquent	1,123	622	0	1,745	5,118	6,863
Succeeding year	80,000	34,033	0	114,033	167,407	281,440
TOTAL ASSETS	\$ 110,597	64,762	85,233	260,592	179,308	439,900
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	0	1,150	1,150	0	1,150
Deferred revenue:						
Succeeding year property tax	80,000	34,033	0	114,033	167,407	281,440
TOTAL LIABILITIES	80,000	34,033	1,150	115,183	167,407	282,590
Unreserved fund balances	30,597	30,729	84,083	145,409	11,901	157,310
TOTAL LIABILITIES AND FUND BALANCES	\$ 110,597	64,762	85,233	260,592	179,308	439,900

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Special Revenue- Total	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 59,886	33,184	0	93,070	272,876	365,946
Other	9,214	1,204	228,185	238,603	2,652	241,255
TOTAL REVENUES	69,100	34,388	228,185	331,673	275,528	607,201
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	52,102	0	206,734	258,836	0	258,836
Other instruction	0	5,849	0	5,849	0	5,849
Support services:						
Operation and maintenance of plant services	36,613	1,296	0	37,909	0	37,909
Transportation services	11,023	55,191	0	66,214	0	66,214
	47,636	56,487	0	104,123	0	104,123
Other expenditures:						
Facilities acquisition	0	27,931	0	27,931	0	27,931
Long-term debt:						
Principle	0	0	0	0	240,000	240,000
Interest and fiscal charges	0	0	0	0	133,627	133,627
TOTAL EXPENDITURES	99,738	90,267	206,734	396,739	373,627	770,366
Excess (deficiency) of revenues over (under) expenditures	(30,638)	(55,879)	21,451	(65,066)	(98,099)	(163,165)
Other financing sources:						
Operating transfer in	0	0	0	0	110,000	110,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(30,638)	(55,879)	21,451	(65,066)	11,901	(53,165)
Fund balance beginning of year	61,235	86,608	62,632	210,475	0	210,475
Fund balance end of year	\$ 30,597	30,729	84,083	145,409	11,901	157,310

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,717	10,472	10,503	2,686
Cross country	282	0	207	75
Golf	(1,379)	1,379	0	0
Drill team	1,391	2,419	2,240	1,570
Football cheerleading	843	380	1,223	0
Basketball cheerleading	74	775	849	0
Wrestling cheerleading	655	505	1,160	0
Basketball	7,764	0	7,764	0
Basketball fundraiser	1,168	2,061	3,004	225
JH uniforms fundraiser	(2,150)	2,150	0	0
Boys football	12,004	0	12,004	0
All sports activity pass	5,463	2,490	0	7,953
District football	1,204	0	1,204	0
Flag football	1,888	4,337	3,369	2,856
Boys baseball	(699)	699	0	0
Baseball fundraiser	810	12,688	9,895	3,603
Track	(5,621)	5,621	0	0
Girls track fundraiser	500	0	0	500
Wrestling fundraiser	(4,510)	14,028	6,566	2,952
Elementary basketball	147	898	760	285
Girls basketball fundraiser	1,103	1,808	2,558	353
Volleyball fundraiser	1,510	7,132	5,483	3,159
Softball fundraiser	(675)	6,425	5,501	249
Concessions	12,403	44,095	45,757	10,741
Petty cash	225	0	0	225
Interest	4,406	2,229	4,190	2,445
Art club	225	0	0	225
Chess club fundraiser	107	360	396	71
Annual	6,747	7,510	5,431	8,826
Swing choir	(497)	2,071	1,574	0
Band uniform fundraiser	10	450	308	152
Band fundraiser	2,551	16,790	16,857	2,484
Vocal music fundraiser	1,458	22,572	20,498	3,532
Instrumental music	439	20	40	419
Flag corp fundraiser	411	497	908	0
AMOL	1,033	175	218	990
Science club	7	1,904	1,765	146
Spanish club	430	48	107	371
Spanish class fundraiser	822	0	16	806
Hurricane Katrina	0	1,234	108	1,126
Student council	1,329	2,152	2,313	1,168
Community bank grant	519	951	1,469	1
Key club	486	287	0	773
JH key club	80	0	0	80
S.A.D.D.	586	0	0	586
FCCLA	668	8,768	8,655	781
HS class of 2010	2,098	2,595	2,098	2,595
HS class of 2009	263	0	64	199
HS class of 2006	2,041	0	1,217	824
HS class of 2007	(143)	21,699	18,455	3,101
HS class of 2008	(431)	431	0	0
Graduates	(130)	130	0	0
Washington D.C. trip	0	14,950	0	14,950
Total	\$ 62,632	228,185	206,734	84,083

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,016,915	2,133,357	1,794,768	1,647,583
Tuition	331,392	398,134	354,575	343,835
Other	414,214	277,540	318,645	281,241
State sources	3,137,954	2,890,215	2,666,137	2,662,263
Federal sources	164,370	542,710	888,708	132,939
Total	<u>\$ 6,064,845</u>	<u>6,241,956</u>	<u>6,022,833</u>	<u>5,067,861</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,457,997	2,292,100	2,013,911	1,918,918
Special instruction	739,041	762,837	677,270	621,235
Other instruction	473,612	325,700	493,618	541,453
Support services:				
Student services	147,020	163,577	156,440	133,670
Instructional staff services	148,876	170,882	122,858	116,621
Administration services	567,910	517,787	521,660	488,533
Operation and maintenance of plant services	489,007	477,634	467,182	410,085
Transportation services	434,423	266,783	221,415	193,060
Other	0	16,496	0	14,448
Non-instructional	0	0	170	162
Other expenditures:				
Facilities acquisitions	134,985	841,624	1,201,073	13,419
Long Term Debt:				
Principal	240,000	220,000	215,000	170,000
Interest	133,627	138,660	133,748	137,365
AEA flow-through	191,247	182,563	177,364	187,784
Total	<u>\$ 6,157,745</u>	<u>6,376,643</u>	<u>6,401,709</u>	<u>4,946,753</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Logan-Magnolia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated July 31, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan-Magnolia Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Logan-Magnolia Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing

an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Logan-Magnolia School District and other parties to whom Logan-Magnolia School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Logan-Magnolia Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

July 31, 2006

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-06 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We are working on this procedure. There are two people who take tickets, count and document money collected which is turned into the office to verify and deposit.

Conclusion - Response accepted.

- I-C-06 Student Activity Fund - We noted during our audit that the Student Activity Fund had a Hurricane Katrina account that still had a balance as of June 30, 2006.

Recommendation - If the money was donated to the school or fundraised with the intention of being donated to Hurricane Katrina relief, then the money should be donated for this purpose.

Response - We are in the process of making arrangements to have the money donated to Katrina relief before the end of the next fiscal year.

Conclusion - Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting:

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.
- Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.
- Response - We will deliver the minutes to the newspaper within the two week period as required by 279.35 of the Code of Iowa, however, we have no control over when the paper prints them.
- Conclusion - Response accepted.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.